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SUBJECT: MEKONG DELTA DEVELOPMENT- RIPE FOR BIOTECH AND CAPITAL

1. (SBU) Summary: Vietnam's Mekong Delta provinces will have difficulty meeting the GVN's goal of nearly doubling per capita GDP by 2010 without substantial reform and investment. A recent visit by the Consul General to two of the most prosperous Delta provinces revealed neither advances in productivity in the agriculture sector -- the bedrock of the region's economy -- nor in industrial development that are needed to reach the GVN's ambitious growth targets. While provincial leaders in the Mekong acknowledge their shortcomings, they have not been able to articulate how they will undertake the dramatic changes in infrastructure, finance and technology, especially biotechnology, necessary to sustain the region's high growth rates. End Summary.

2. (SBU) The Consul General traveled to the Mekong Delta December 6 - 8 to visit Can Tho and An Giang Provinces. He visited the 13th annual Can Tho Agricultural Fair, toured the Cuu Long Rice Research Institute and met with provincial leaders. Growth rates in these provinces have reached or surpassed 10 percent in recent years based on dramatic increases in agricultural output and the development of aquaculture. Without infrastructure upgrades and the introduction of agricultural technology, however, Can Tho and other provinces are unlikely to meet their aggressive growth targets. In the case of Can Tho, Party Secretary Nguyen Tan Quyen reported that the recently concluded provincial Party Congress had called for an increase in provincial GDP from \$720 to \$1,200 by 2010. Secretary Quyen stated his belief that clear and consistent

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polices, coupled with increased investment and access to capital, are the keys to the province's development.

#### Infrastructure and Capital Equipment

3. (SBU) Quyen observed that infrastructure development is a challenge for the province. Can Tho, the de facto capital of the Delta region, has no working airport and no deepwater port facilities, and can only be accessed by ferry. Although a bridge is under construction and other infrastructure upgrades are planned, the Delta's roads are often unpaved and narrow, making transportation of goods time-consuming and costly. Secretary Quyen suggested that the Consulate could assist the

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province in locating an American business partner to upgrade the road system, but did not outline any immediate plans on the part of the city or the region to develop its ailing road network itself.

4. (SBU) Growth in the agricultural sector of the Mekong is attributable to increases in the output of rice. Rice farmers in the Mekong harvest up to three and a half crops per year and more intensive cropping is not an option. However, efficiency could be dramatically increased. Most rice produced is still planted and harvested by hand, though plowing, threshing, drying are increasingly by machine. The introduction of small-scale machinery could lead to dramatic increases in productivity. On display at the Can Tho Agricultural Fair were many examples of affordable farming equipment, including a VINAPPRO mini rice combine produced under license from Briggs and Stratton for \$3,000. While this cost is still too high for most Mekong Delta rice farmers individually, provincial agricultural cooperatives could easily acquire capital equipment for its members' use. Comprised of an average of 200 families, agricultural cooperatives are responsible for much of the irrigation infrastructure maintenance in the Mekong Delta. Although both the Chairman of the An Giang People's Committee and Can Tho Party Secretary spoke about increased technology as an engine for productivity growth, neither province has taken steps to assist its rice farmers in obtaining much needed equipment.

#### Human Resources Development

5. (SBU) Chairman of An Giang People's Committee Nguyen Hoang Viet, An Giang Part Secretary Le Phu Hoi, and Can Tho Party Secretary Nguyen Tan Quyen all spoke at length about the need

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for human resources development in the region, though they did not present any plans to achieve this goal. This apparent lack of concrete planning was underscored during a visit to An Giang University. Dr. Ho Thanh My Phuong, Director of the An Giang University International Relations Department and former Ford Foundation scholarship grantee, remarked that provincial support for local universities was still inadequate. Dr. Phuong also said employment prospects for university graduates in An Giang did not match opportunities available to graduates in other provinces in the region; she noted that annual salaries of many An Giang graduates were still far below regional norms.

#### Biotechnology and the Cuu Long Rice Research Institute

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16. (U) Biotechnology is another means of spurring economic growth in the Mekong Delta, and the region has its own research facility to promote agricultural development. The Cuu Long Rice Research Institute (CLRRI) was founded in 1977 and is the Delta's premier government institution specializing in rice study. CLRRI pursues basic and applied research on rice and other crops and on the Mekong Delta's agricultural systems in order to determine strategies for increasing yield. CLRRI is one of 19 research institutions and centers of the Ministry of Agricultural and Rural Development (MARD). The institute also has strong links with development organizations in Vietnam and with the International Rice Research Institute of the Consultative Group on International Agricultural Research. The 360-hectare campus contains seven operational laboratories specializing in biotechnology, pathology, soil and grain analysis, and microbiology, as well as 250 hectares for rice seed production.

17. (SBU) In recent years, the CLRRI has become the primary biotechnology research center in southern Vietnam, having developed its own strains of transgenic BT cotton and soybeans as well as Vitamin A and iron fortified "golden" rice. According to Dr. Bui Chi Buu, CLRRI's rector, the introduction of these crops to Mekong agriculture would have a positive impact on both production levels and product quality. GM crops could also benefit human health. The adoption of the institute's bio-fortified rice could improve nutrition in Vietnam dramatically, while the use of pest -resistant cotton strains would reduce the use of pesticide as well as pesticide pollution and pesticide poisoning deaths. Dr. Buu also reported a fifty percent decrease in the flow of the Mekong River in the last twenty years and sees biotechnology as the key to preserving the region's agricultural production in the face of increased up-stream damming of the Mekong. Dr. Nguyen Tri Khiem, Dean of the Faculty of Economics and Business Administration at An Giang University, reported corresponding increases in river salinity, further highlighting the environmental challenges to the Delta. The CLRRI is in the process of developing drought resistant strains of many of its crops in attempt to preserve crop viability.

18. (SBU) Despite the potential economic, health and environmental benefits of biotech crops, Dr. Buu said genetically modified crops are not being used in Vietnam. The institute only was granted permission to begin field-testing its crops in 2004. The Ministry of Environment and Natural Resources is in the process of completing a risk assessment study and will make a decision on the use of genetically modified crops in late 2006 or 2007.

19. (SBU) Comment: While Delta leaders are unanimous in their view that growth targets can be met only through investment, innovation and reform, they did not spell out clear plans for how they would transform their provinces' bureaucracies or economies to meet a very ambitious 12 percent annual growth rate target. As previously reported, political leadership in the Delta has long been chosen more for strong "revolutionary" credentials than for technical expertise and competent management. It is telling that the Party chose to send HCMC Party Secretary Triet -- whose credentials as an economic reformer are unmatched -- to the recent Can Tho Party Congress. There he emphasized the need to focus on human resources development to achieve development goals, which many observers agree is code for a generational shift in Mekong Delta leadership. End Comment.

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